

## Message Text

CONFIDENTIAL

PAGE 01 JIDDA 04879 220940Z

12

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 IO-14 ISO-00

FEA-02 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00

DODE-00 FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07

OMB-01 PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08

TRSE-00 FRB-03 PA-04 PRS-01 USIA-15 DRC-01 /244 W

----- 017950

R 220900Z AUG 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8344

INFO USINT ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMCONSUL DHAHRAN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBERVILLE

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 04879 220940Z

USMISSION USUN NY

AMEMBASSY TRIPOLI

C O N F I D E N T I A L J I D D A 4879

E.O.: 11652: GDS

TAGS: ENRG, SA, UNCTAD

SUBJ: BRITISH CHOOSE MINI-SUMMIT ON OIL AND APPROACH SHAH  
AGAINST INDEXING

REF : STATE 182093

BEGIN SUMMARY: UK OIL POLICY AS OUTLINED IN RECENT FOREIGN OFFICE MESSAGE MAKES CLEAR HMG FAVORABLY INCLINED TOWARD A SMALL CONSUMER PRODUCER SUMMIT. MESSAGE ARGUES AGAINST AUCTION AS A DANGER TO PRODUCTION LEVELS BUT LEAVE TO U.S. ANY IMMEDIATE DIALOGUE WITH YAMANI AND SAG. BRITISH BELIEVE THEY ARE MORE ADVANTAGEOUSLY PLACED THAN WE TO APPROACH SHAH TO URGE HE DROP POLICY OF SEEKING INDEXATION OF OIL PRICES. IN UNCTAD, UK INTENDS TO LEAVE TO U.S. ANY INITIATIVES WITH YAMANI. BRITISH AMBASSADOR SAYS GOVERNOR ANWAR ALI BELIEVES SAG DECISIONMAKERS STILL SYMPATHETIC TO LOWERED PRICE AND WILL TRY IN LONG RUN TO REDUCE PRICES TO SINGLE PRICE SOMEWHERE BETWEEN EQUITY AND POSTED. END SUMMARY.

1. ON AUGUST 20 BRITISH AMBASSADOR INVITED CHARGE AND ECON COUNSELOR FOR DISCUSSION OF TELEGRAM FROM FOREIGN OFFICE OUTLINING LONDON ATTITUDE TOWARD SUMMIT MEETING ON PETROLEUM, POSSIBLE INDEXING OF PRICES, AUCTION, AND BILATERALS. HE HAD BEEN INSTRUCTED TO LEAVE TO U.S. ANY APPROACHES IN SAUDI ARABIA, BUT TOLD HMG WOULD AGAIN APPROACH SHAH SINCE HMG MORE ADVANTAGEOUSLY PLACED TO MAKE REPRESENTATIONS TO SHAH THAN WE WERE. UK POLICY STATEMENT ARGUES AGAINST AUCTION AND AGAINST NEW AGREED PRICE WITH INDEXING. MAJOR AUCTION APPEARS TO UK OIL EXPERTS AS LIKELY TO CAUSE CUT-BACK IN PRODUCTION. THE POLICY STATEMENT SEES A MINI-SUMMIT AS HOLDING THE MOST PROMISE AND PROBABLY THE SOONER THE BETTER.

2. LONDON DID NOT FEEL THAT INDEXATION IN ANY FORM COULD BE AGREED TO AS IT CONTRIBUTED TO INFLATION. APPARENTLY THE SHAH HAD DISCUSSED WITH THE UK ADOPTION OF A SING PRICE AROUND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 04879 220940Z

\$9.50, RELATED TO THE AVERAGED PRICE OF ARABIAN LIGHT TO THE PRESENT EQUITY AND PARTICIPATION CRUDE FORMULAS. ROTHNI SAID THAT THE SHAH DID NOT APPEAR TO HAVE A CLOSED MIND ON THE SUBJECT OF INDEXATION BUT HAD ASKED WHAT THE ALTERNATIVE WAS IN THE FACE OF A CONTINUED CLIMB IN THE COST OF COMMODITIES AND MANUFACTURED GOODS.

3. ROTHNIE NOTED THAT SHAH CONTINUED TO EMPHASIZE DISTINCTION

BETWEEN THE SITUATION OF IRAN, WHICH CAN EVENTUALLY USE ITS EARNING, AND SAUDI ARABIA, WHICH CANNOT. LONDON HAS APPARENTLY ADOPTED THE REASONING THAT BILATERAL DEALS ARE GOING TO BE DIFFICULT, EVEN THROUGH SAG SECOND DEPUTY PREMIER PRINCE FAHD, BEFORE HIS DEPARTURE FOR LONDON, AGAIN INDICATED HIS INTEREST IN BILATERAL DEALS.

4. ROTHNIE HAD ALSO RECEIVED A REPORT THAT YAMANI INTENDS TO PRESENT A MAJOR POLICY STATEMENT AT UNCTAD, POSSIBLY AUGUST 20. THIS CONFLICTED WITH ROTHNIE'S EARLIER UNDERSTANDING YAMANI WISHED TO NEGOTIATE BEHIND THE SCENES. AMBASSADOR ROTHNIE SAID THAT THE UK INTENDS TO LEAVE TO THE U.S. AT GENEVA ANY INITIATIVES WITH YAMANI, INDICATING THAT THE UK WOULD FOLLOW OUR LEAD.

5. AMBASSADOR ROTHNIE ALSO SAID HE HAD HAD A LONG DISCUSSION WITH ANWAR ALI THE PREVIOUS EVENING, HON OIL AND FINANCIAL MATTERS. GOVERNOR ALI BELIEVED SAG DECISION-MAKERS ARE BASICALLY SYMPATHETIC TO THE PROBLEMS OF THE OECD, AND HE VOLUNTEERED THE SUGGESTION THAT OIL PRICES WOULD PROBABLY BE REDUCED TO A SINGLE AGREED PRICE SOMEWHERE BETWEEN THE PRESENT EQUITY AND POSTED LEVELS.

6. FAHD IS IN LONDON AND YAMANI IN GENEVA, AND THE OIL SCENE IN SAUDI ARABIA SHOULD BE QUIET UNTIL THEY RETURN.  
HORAN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, COMMITTEE MEETINGS, FOREIGN POLICY POSITION, RESOLUTIONS, EXPORTERS, IMPORTERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974JIDDA04879  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740231-0876  
**From:** JIDDA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740827/aaaaawuo.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 182093  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 APR 2002 by shawdg>; APPROVED <26 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BRITISH CHOOSE MINI-SUMMIT ON OIL AND APPROACH SHAH AGAINST INDEXING  
**TAGS:** ENRG, SA, UNCTAD  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005